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Sullivan Mines Ltd.

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Sullico Mines Limited

(No Personal Liability)

Quebec Lithium Corporation

(No Personal Liability)

**INFORMATION CIRCULAR CONCERNING
THE PROPOSED AMALGAMATION**

FYI

**SPECIAL GENERAL MEETING OF SHAREHOLDERS
AUGUST 15, 1969**

**Hotel Bonaventure
Montreal, P.Q., Canada**

**9.30 a.m. — Quebec Lithium Corporation
11.00 a.m. — Sullico Mines Limited
12.00 a.m. — Sullivan Mines Ltd.**

Sullivan Mines Ltd.

Sullico Mines Limited

(No Personal Liability)

Quebec Lithium Corporation

(No Personal Liability)

**INFORMATION CIRCULAR CONCERNING
THE PROPOSED AMALGAMATION**

SULLIVAN MINES LTD.

SULLICO MINES LIMITED

(No Personal Liability)

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

500 Place d'Armes, Suite 2500, Montreal 126, P.Q.

June 30, 1969

To our Shareholders:

We wish to advise the shareholders of the above mentioned companies that Special General Meetings of the shareholders of the above mentioned companies will be held on August 15, 1969, at the respective hours of 9:30 a.m., 11:00 a.m. and 12:00 noon at the Hotel Bonaventure, Place Bonaventure, Montreal, Province of Quebec, to consider the adoption of an agreement entered into between Sullivan Mines Ltd., Quebec Lithium Corporation (No Personal Liability) and Sullico Mines Limited (No Personal Liability) providing for the amalgamation of the companies into a new company to be known as Sullivan Mining Group Ltd.

There is enclosed herewith an explanatory circular setting forth information concerning the proposed amalgamation which includes a copy of the amalgamation agreement, a copy of the balance sheet of each of the amalgamating companies as at May 31, 1969, a copy of a pro forma balance sheet giving effect to the transactions referred to therein.

Your directors have carefully considered the proposed amalgamation and the relative assets of the amalgamating companies and they have concluded that the proposed amalgamation is in the best interests of the shareholders of the three companies and is fair and equitable.

Yours truly and on behalf of the Boards of

SULLIVAN MINES LTD.

SULLICO MINES LIMITED (N.P.L.)

QUEBEC LITHIUM CORPORATION (N.P.L.)

J. JACQUES BEAUCHEMIN, Q.C.
President

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

500 Place d'Armes, Suite 2500, Montreal 126, P.Q.

June 30, 1969

To our Shareholders who are residents
of the United States of America or its
territories or possessions:

Enclosed herewith for information purposes only you will find material being mailed to all of our shareholders in connection with a Special General Meeting of our shareholders called for August 15, 1969, to consider the adoption of an agreement which will amalgamate your company, Sullivan Mines Ltd. and Sullico Mines Limited (N.P.L.) into a new company to be known as Sullivan Mining Group Ltd.

The enclosed material is not, and is not to be regarded as a solicitation by the company or its management of a proxy for use at the forthcoming Special General Meeting from any shareholder of the company who is a resident of the United States of America or any of its territories or possessions.

Yours truly and on behalf of the Board of
QUEBEC LITHIUM CORPORATION (N.P.L.)

J. JACQUES BEAUCHEMIN, Q.C.
President

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SULLIVAN MINES LTD.

SULLICO MINES LIMITED

(No Personal Liability)

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

INFORMATION CIRCULAR

JULY 18, 1969

SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation of proxies by the respective managements of Sullivan Mines Ltd. ("Sullivan"), Quebec Lithium Corporation (No Personal Liability) ("Q.L.C.") and Sullico Mines Limited (No Personal Liability) ("Sullico") for use at the respective Special General Meetings of the shareholders of each of the said companies, to be separately held at the same place, namely, the Bonaventure Hotel, Place Bonaventure, Montreal, Quebec, at various times on Friday, the 15th day of August, 1969, for the purposes set forth in the accompanying notice of meeting.

Right of Revocation:

Any shareholder giving a proxy has the right to revoke it at any time before it is exercised. The giving of a proxy does not affect a shareholder's right to vote in person should the shareholder attend the meeting after giving the proxy.

Voting of Proxies:

The shares represented by proxies received by the management of each of the said companies will be voted at the respective meetings in accordance with the statements made in this Information Circular. Proxies received by management will be voted in favour of approval of the amalgamation agreement, and (in the case of Sullivan) in favour of approval, ratification and confirmation of By-laws Nos. 62 and 63.

The persons named in the enclosed instrument of proxy form are officers of the respective companies and were selected by management. Shareholders have the right to name their own proxy, by filling in the blank space in the instrument of proxy and striking out the printed names appearing thereon. Any other appropriate instrument of proxy form may also be used.

Persons Making Solicitation and Method Thereof:

The enclosed proxy is solicited by the management of that one of the aforesaid three companies to whose Special General Meeting of shareholders it relates.

The cost of solicitation is being borne by such company. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of each of the three companies at nominal cost.

Voting Majority Required:

The amalgamation agreement which is to be acted upon at the forthcoming Special General Meetings of the shareholders of the three companies must be adopted by the vote of at least two-thirds in value of the shares represented by the shareholders present at each such meeting in order that the agreement may be acted upon. The approval, ratification and confirmation of By-Law No. 62 and of By-Law No. 63 of Sullivan requires a majority of the votes cast at the Sullivan meeting.

Matters to be Acted Upon and Discretionary Authority:

The respective managements of Sullivan, Q.L.C. and Sullico now know of no matters other than those stated in the respective Notices of Special General Meetings which are to come before the respective meetings. In the event that any other matters may properly come before any of the meetings, the accompanying instrument of proxy, if received by management, will be voted thereon in accordance with the best judgment of the person or persons voting the proxy, and discretionary authority necessary in such event is understood to be conferred by any person giving the proxy to management.

Voting Shares and Principal Holders Thereof:

Only the shareholders of the respective three companies who are of record at the times of the respective meetings will be entitled to vote at the appropriate meeting. Each share of each of the companies is entitled to one vote at the meeting of shareholders of that company.

At July 18, 1969 the respective companies had the following numbers of shares (all common) outstanding, all as fully paid and non-assessable shares:

Sullivan	4,800,000 shares without par value.
Q.L.C.	2,550,000 shares with a par value of \$1 each.
Sullico	4,400,000 shares with a par value of \$1 each.

To the knowledge of the directors or senior officers of the respective companies, the following were at July 18, 1969 respectively the only beneficial owners directly or indirectly of equity shares of the respective three companies which carry more than 10% of the voting rights attached to all equity shares of the respective companies:

Name of Shareholder	Approximate No. of Shares	Percentage of Outstanding Equity Shares Represented
SULLIVAN		
Sullico	1,206,478	25.1 %
Q.L.C.		
Sullivan	1,102,050	43.2 %
Sullico	392,350	15.4 %
SULLICO		
East Sullivan Mines Limited (No Personal Liability) ("East Sullivan")	4,341,065	98.6 %

(Sullivan) Filing of Proxies:

Proxies, to be voted, must be filed with the Secretary of Sullivan two clear days before the date of the meeting.

BUSINESS TO BE CONDUCTED PROPOSED AMALGAMATION

Introduction

The origin of the Sullivan group of companies dates back forty years when Sullivan Gold Mines Ltd. was formed to acquire a gold property in the Bourlamaque area of North Western Quebec. When production started in 1934, the mill capacity of the successor company, Sullivan Consolidated Mines Limited, was a modest fifty tons a day; in 1941, the capacity had grown to five hundred tons a day. Further growth was then contemplated for the Company through the financing of outside exploration ventures. As a result, East Sullivan came into existence in 1944. Subsequently, many other companies were formed or acquired and opportunities to participate in further exploration ventures were granted to the associated companies financially capable of sharing the risks. Incidental to the exploration activities, profitable investments were made in the securities of other companies of the group.

Over those years, a tangled complex of interlocking companies resulted with common management and common interests, each one benefitting from the reservoir of competent staff and experience acquired. As it stands now, it is becoming increasingly difficult to examine any of the three main companies separately from the other two.

Simplifying the structures of the companies of the group has become a logical necessity and a requisite in the best interest of all shareholders.

A first step was made in 1968 when the consolidated assets of Solbec Copper Mines and Hastings Mining were purchased by Sullivan Mines Ltd. (previously Sullivan Consolidated).

As a further step, the assets of Cupra Mines Ltd. have been acquired as of June 1st, 1969 by Quebec Lithium.

There now remain three main companies in the group, namely Sullivan, Quebec Lithium and Sullico.

The proposed amalgamation of these three companies is a major step in the process of achieving further simplification of the structure of the Sullivan mining group of companies.

In short, the proposed amalgamation will create a major corporate entity better able to concentrate all efforts and better able to acquire and develop additional mining properties and other related assets.

The reconstruction of these three companies of the group is considered essential by the directors and management of all three companies and is considered highly desirable by most financial analysts and other well-informed people.

Purpose of Meetings:

Special General Meetings of the shareholders of Sullivan, Sullico and Q.L.C. are being called for the purpose of considering and, if thought fit, adopting an agreement ("Amalgamation Agreement") dated the 30th day of June, 1969 between Sullivan, Sullico and Q.L.C. The Amalgamation Agreement has been executed by the three companies, subject to its adoption by their respective shareholders.

Amalgamation Agreement:

At the present time there are outstanding 4,800,000 shares without par value in the capital of Sullivan, 4,400,000 shares with a par value of \$1 each in the capital of Sullico and 2,550,000 shares with a par value of \$1 each in the capital of Q.L.C.

The Amalgamation Agreement provides that, at the time of the amalgamation, each outstanding share of Sullivan (except for 1,206,478 shares owned by Sullico and 121,322 shares owned by Q.L.C.) shall be converted into one share of the amalgamated company, each outstanding share of Sullico shall be converted into one share of the amalgamated company and every two outstanding shares of Q.L.C. (except for 1,102,050 shares owned by Sullivan and 392,350 shares owned by Sullico) shall be converted into one share of the amalgamated company. Provision is made in the Amalgamation Agreement for shareholders of Q.L.C. to be paid cash for any one remaining share which results from the conversion of their shares of Q.L.C. into shares of the amalgamated company.

The agreement by Sullivan, Sullico and Q.L.C. to amalgamate and to form one company is made under the provisions of Division VIII of The Companies' Act of Quebec and, if the requisite favourable vote of shareholders is obtained, the amalgamating companies will thereupon make a joint petition to the Lieutenant-Governor of the Province of Quebec for letters patent confirming the Amalgamation Agreement.

The Amalgamation Agreement is included in this Information Circular and reference should be made thereto for the complete conditions and terms of the proposed amalgamation.

As a result of the amalgamation, the amalgamating companies will combine and form one corporation, which will be named "Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée" and which will own all of the assets and assume all of the liabilities of the amalgamating companies.

The capital of the amalgamated company will consist of 10,000,000 shares without par value of which 8,400,000 shares will be issued as fully paid and non-assessable to the shareholders of the amalgamating companies.

It is expected that the shares of the amalgamated company will be listed on the Canadian Stock Exchange and the Toronto Stock Exchange and it is contemplated to apply for a listing on the American Stock Exchange, an Exchange where Q.L.C. is presently listed.

Basis of Allocation of Shares:

The basis of allocation of the shares of the amalgamated company among Sullivan, Sullico and Q.L.C. was arrived at by their management and directors after extensive studies, careful consideration and consultations with specialists in the matter, taking into account the relative value of the contribution to be made by each such company to the amalgamated company. In determining such relative values, a precise mathematical evaluation was not possible, but a variety of factors was considered. Among these factors were the market value of listed shares, fair value for other realizable assets, the quoted market prices of the shares of the amalgamating companies, the anticipated income from the present producing mines and the best assessment by the directors of the amalgamating companies of the relative possibilities for the development to production of the properties of one or more of the affiliates. In the opinion of the boards of directors of each of the amalgamating companies, the basis of allocation of shares of the amalgamated company is fair and equitable to the shareholders of all of the amalgamating companies (see heading below "Interlocking Interests of Directors and Officers").

Interlocking Interests of Directors and Officers

The following table discloses the interest of each director and officer of Sullivan, Sullico and Q.L.C. in these companies:

NAME	SULLIVAN	SULLICO	Q.L.C.
BEAUCHEMIN, Jean	Shareholder Chairman of the Board Director	Shareholder	Shareholder Chairman of the Board Director
BEAUCHEMIN, J. Jacques	Shareholder President Director	Shareholder President Director	Shareholder President Director
BEAUCHEMIN, André	Shareholder Executive Vice-President Director	Shareholder Executive Vice-President Director	Shareholder Executive Vice-President Director
BÉLIVEAU, Lucien C.	Shareholder Vice-President (Mines) Director	Shareholder Vice-President (Mines) Director	Shareholder Vice-President (Mines) Director
LAFLEUR, Réal J.	Shareholder Secretary-Treasurer	Shareholder Secretary-Treasurer	Shareholder Secretary-Treasurer
CORDEAU, Fernand	Shareholder Assistant Secretary-Treasurer	Shareholder Assistant Secretary-Treasurer	Shareholder Assistant Secretary-Treasurer
CARRIERE, Gilles	Shareholder Exploration Manager	Exploration Manager	Exploration Manager
BEAUCHEMIN, P. Ernest	Shareholder Director	Shareholder Director	Shareholder Director
LAFORCE, J. Ernest	Shareholder Director	Shareholder	Shareholder
LATREILLE, André	Shareholder Director		Shareholder Director
DHAVERNAS, Marc H.	Shareholder Director		
GAUVREAU, J. Guy	Shareholder		
GAUVREAU, Jacques	Shareholder	Shareholder Director	
BEAUCHEMIN, Claude	Shareholder	Shareholder Director	Shareholder Director
BEAUCHEMIN, Gendron	Shareholder	Shareholder Director	

Intercompany Shareholdings:

The intercompany holdings will be found in the schedules of investments forming a part of the financial statements included herein. Reference is also made to the heading "Voting Shares and Principal Holders Thereof", wherein is set forth the ownership by East Sullivan of 98.6% of Sullico, the ownership by Sullico of 25.1% of Sullivan and the ownership by Sullivan and Sullico of a total of 58.6% of Q.L.C. All of such shares will be voted in the appropriate meetings to adopt the Amalgamation Agreement.

Directors and Officers of the Amalgamated Company:

The board of directors of the amalgamated company will consist of eleven (11) members, and the name, calling and place of residence of the first directors of the amalgamated company shall be as follows:

NAME AND ADDRESS	CALLING
BEAUCHEMIN, Jean 141 Pagnuelo Ave., Outremont, P.Q.	Mining Executive
BEAUCHEMIN, J. Jacques 355 Bloomfield Ave., Outremont, P.Q.	Lawyer
BEAUCHEMIN, André 275 Montrose Ave., St. Lambert, P.Q.	Engineer
BÉLIVEAU, Lucien C. 3790 Vendôme Ave., Montreal, P.Q.	Engineer
BEAUCHEMIN, Gendron 101 Dunrae Ave., Town of Mount Royal	Engineer
DHAVERNAS, Marc H. 3010 The Boulevard, Apt. A51, Mmontreal, P.Q.	Executive
MONTMINY, J. Alexander 29 Waldo St., New Bedford, Mass., U.S.A.	Mining Executive
GAUVREAU, J. Guy 32 Beloeil Ave., Outremont, P.Q.	Brigadier General
LAFORCE, J. Ernest 3205 Appleton Ave., Montreal, P.Q.	Mining Executive
LAFLEUR, Réal J. 7180 Milan Blvd., Brossard, P.Q.	Mining Executive
McDONALD, Paul F. 4501 Sherbrooke Street West, Apt. 3A, Montreal, P.Q.	Broker

The officers of the amalgamated company will be as follows:

OFFICE HELD	NAME
Chairman of the Board	BEAUCHEMIN, Jean
President	BEAUCHEMIN, J. Jacques
Executive Vice-President	BEAUCHEMIN, André
Vice-President (Mines)	BÉLIVEAU, Lucien C.
Secretary-Treasurer	LAFLEUR, Réal J.
Assistant Secretary-Treasurer	CORDEAU, Fernand
Exploration Manager	CARRIERE, Gilles

General Description of the Amalgamating Companies:

- a) Q.L.C. acts mainly as a holding company with investments in companies of the Sullivan group, from which dividend income is derived. The company also owns a lithium property in the Val d'Or area of Quebec, which was in production from August, 1956 to December, 1966, when operations were suspended due to low prices and insufficient markets for lithium products. It is hoped that operations can be resumed at a later date, provided that the prospects for the lithium industry improved to a sufficient extent. The property is equipped with a concentrator, a decrepitation unit and a refinery with an annual capacity of about 8,000,000 lbs of lithium carbonate. It is also equipped for the production of substantial quantities of lithium hydroxyde monohydrate and of lithium chloride anhydrous. The original group of claims was staked by Sullivan Consolidated in 1942.
- b) Sullico has substantial investments in several companies belonging to the Sullivan group, and in conjunction with them, participates in mineral exploration and the financing of new mining ventures. Production at its base metal property in the Bourlamaque area of Quebec came to an end on November 30, 1966, when all available ore was exhausted. The mine was in production from January 2, 1949 to November 30, 1966. Machinery and equipment was salvaged and is being sold. The company also owns a former copper-producing property in Bolton Township, Quebec. The mine in Bolton Township was in operation from February, 1954 to April, 1958, when operations ceased because of low copper prices. Plant and equipment were subsequently sold.

By an agreement dated August 30, 1960, the company purchased all the assets of East Sullivan for \$10,221,198. At the same time, the former name of the company, Quebec Copper Corporation, was changed to Sullico and its share capital restructured. East Sullivan then purchased 4,250,000 new shares of Sullico at \$2.35 per share, for a total consideration of \$9,987,500.

Sullico receives substantial dividend income from its investments in several companies of the Sullivan group. Sullico has been paying dividends regularly since 1961. No dividends were paid by the predecessor company, Quebec Copper Corporation.

- c) Sullivan owns the producing Solbec base metal mine in the Eastern Townships of Quebec, whose remaining ore is being treated at the Cupra mill on a custom basis. The company also owns the original producing Sullivan gold mine in Bourlamaque area, Quebec, which ceased production in December, 1967. Sullivan also has an extensive investment portfolio and is actively engaged in outside exploration programs in conjunction with other companies of the group. Since 1937, a total amount of \$16,024,000 has been paid in dividends by the company and its predecessor Sullivan Consolidated Mines Limited. The company was formed in Quebec on March 5, 1932, to acquire the assets of Sullivan Gold Mines Ltd. Supplementary Letters Patent were issued on November 22, 1968, increasing the authorized capital to 5,000,000 shares, converting the par value shares into no par value shares and changing the company's name to Sullivan Mines Ltd.

MAIN MINING PROPERTIES OF THE AFFILIATES OF THE AMALGAMATING COMPANIES:

D'Estrie Mining Company Ltd.:

This company was incorporated in 1965 and owns mining concession No. 496, adjoining Cupra Mines, Stratford Township, Quebec. A 2650 ft. internal shaft has just been completed to a depth of 4700 feet from the extension of a Cupra drive into the D'Estrie ground on the 2050 ft. level. Drilling from this drive outlined 300,000 tons of ore grading 3.81 % copper, 4.25 % zinc, 0.94 % lead, 0.015 oz gold and 1.31 oz silver per ton to a depth of 3100 feet.

Moreover, a drift (temporarily suspended) in ore on the 3575 ft level has indicated a tonnage potential of 705 tons per vertical foot grading 3.61 % copper, 2.25 % zinc, 0.38 % lead, 0.011 oz of gold and 0.82 oz of silver per ton across an average width of 7.1 feet.

Exploration and development of this property is currently proceeding and should result in the blocking-out of some interesting quantities of ore. The net effective interest of Sullico in D'Estrie is 88.7% while Sullivan's net effective interest is 67.2%.

Weedon Mines Ltd.:

This company was formed to acquire a former-producing property in Weedon Township, Eastern Townships, Quebec, previously owned by Wisconsin Mining Co. Ltd. Exploration and development for additional ore below the previous bottom level at 1330 feet is under way. The inclined shaft currently being deepened has just reached the 2050 ft level. Ore intersections have been obtained to date at the 2050 ft horizon, at the

2100 ft horizon and around the 1600 ft horizon. These ore intersections appear to belong to the ore-bearing structure which supplied the bulk of the ore for the mine's operation in the past. The Weedon property was a profitable producer in World War I days when shipments of crude ore carrying high copper and sulphur values were made to plants in the United States of America.

The exploration work under way looks promising, and should result in substantial quantities of blocked ore. The net effective interest of Sullico Mines Limited in "Weedon" is 78.0% while Sullivan Mines Ltd. net effective interest is 58.8%.

Chester Mines Limited:

It was formed in 1967 to acquire a base metal property in the Clearwater area, Northumberland Co., N.B. Surface exploration on the property is proceeding. To date, two low grade deposits suitable to open pit mining have been outlined; in addition, an extensive shoot of disseminated copper in a quartz-chlorite schist dipping at 20 degrees and extending from the western end of the open pit area, is being explored with encouraging results. The property could become the object of successful surface and underground mining operations. The Sullivan group of companies participating in the exploration of the Chester property will eventually hold a combined 77½% interest in Chester Mines Limited. Sullivan participates for half of the group's interest while each of Sullico and Q.L.C. participates for a quarter.

Clinton Copper Mines Ltd.:

This company holds a copper-zinc prospect in Clinton Township, Eastern Townships, Quebec. Sullico could eventually obtain a forty percent interest in Clinton Copper Mines Ltd. The exploration work is directed by the Sullivan group of companies. Dome Mines Ltd. could also eventually obtain a forty percent interest in Clinton. Both companies are sharing the expenses and providing the funds to Clinton Copper Mines Ltd. Current exploration on this property is giving encouraging results and may result in a new base metal mine.

Brunswick Tin Mines Limited:

This company acquired within the last few weeks the tin-base metal property of Mount Pleasant Mines Limited, situated in Charlotte County, New Brunswick. Sullico Mines Limited and Sullivan Mines Ltd. will eventually share a 78% interest in this company, in respectively a two-third to a one-third direct ratio. Currently, further surface exploration and underground exploratory work through an adit is proceeding on the property in an effort to assess the encouraging results obtained to date.

Courvan Mining Company Limited:

This company owns a former gold-producing property in Louvicourt and Pascalis Townships, Quebec. This property is currently subject to further exploration. Sullivan Mines holds an 18.35% interest in Courvan and Sullico Mines Limited holds a 37.7% interest.

Federal Metals Corporation:

This company holds a base metal property in Lemieux Township, Gaspé area, Quebec. This property is currently subject to further exploration. Sullivan Mines Ltd. holds a net effective interest of 47.6% in Federal Metals Corporation and Sullico holds a 62.0% interest.

Nigadoo River Mines Limited:

This company holds a silver and base metal producing property in the Bathurst area, New Brunswick. Ore reserves at August 31st, 1968 were estimated at 2,022,855 tons grading 4.07 ozs silver, 3.03% lead, 2.89% zinc and 0.35% copper per ton. Sullivan now holds a 35% interest in Nigadoo and Sullico holds 60%. The company's 1000 ton mill started tune-up operations on November 1, 1967. Continuous progress has been achieved in the extractive metallurgy since start-up, and operations are proceeding satisfactorily. Loans and advances by two of the amalgamating companies have been refunded by the issuance of Income Bonds. In the attached financial statements, further details are provided concerning these Bonds.

Other Companies:

Interests are also held by the amalgamating companies or some of them in a few other companies such as Sullipek Mines Inc., Peninsula Metals Corporation, Eastern Explorers Corporation and Brompton Mines Ltd., which own mining lands considered worthy of further exploration sometime in the future; exploration carried out to date on these properties has given mostly negative results.

General Description of the Amalgamated Company:

Sullivan Mining Group Ltd. will be a mining company actively engaged in the business of mining and exploring for minerals. The experience of its management in the natural resources field coupled with a substantial working capital position, as evidenced by the pro-forma financial statements, will allow the new company to actively pursue the development of base metal deposits.

Initially, Sullivan Mining Group will own and operate two base metal deposits located in the Eastern Townships of Quebec: the Solbec deposit and the Cupra deposit.

The wholly owned d'Estrée Mining Company Ltd. and the 87.5% owned Weedon Mines Ltd. are two other affiliated companies having deposits under development located in the immediate vicinity of the Cupra mill facilities. Near Bathurst, New Brunswick, Nigadoo River Mines Limited is another base metal producer and will be 95% controlled by Sullivan Mining Group Ltd.

The graphic illustration included in this circular evidences the substantial interests that will be held by Sullivan Mining Group Ltd. in a number of affiliates. Certain of these affiliates have already shown signs of mine making possibilities, but further exploration and development is required to assess the feasibility of commercial operation on some of these.

Principal Holders of Shares of the Amalgamated Company:

Following the amalgamation, East Sullivan Mines Limited will beneficially own 4,675,000 shares of the amalgamated company, being 55.65% of the outstanding shares of the amalgamated company. It is not expected that any other shareholder will beneficially own more than 10% of the outstanding shares of the new company. At the present time, the main asset of East Sullivan Mines Limited is its holdings of Sullico Mines Limited. Sullivan Mining Group Ltd. will own 39% of the issued shares of East Sullivan Mines Limited.

Auditors, Transfer Agents and Registrars:

The auditors of the new company will be Maheu, Noël, Anderson, Valiquette & Associés, Chartered Accountants, 507 Place d'Armes, Montreal, Canada.

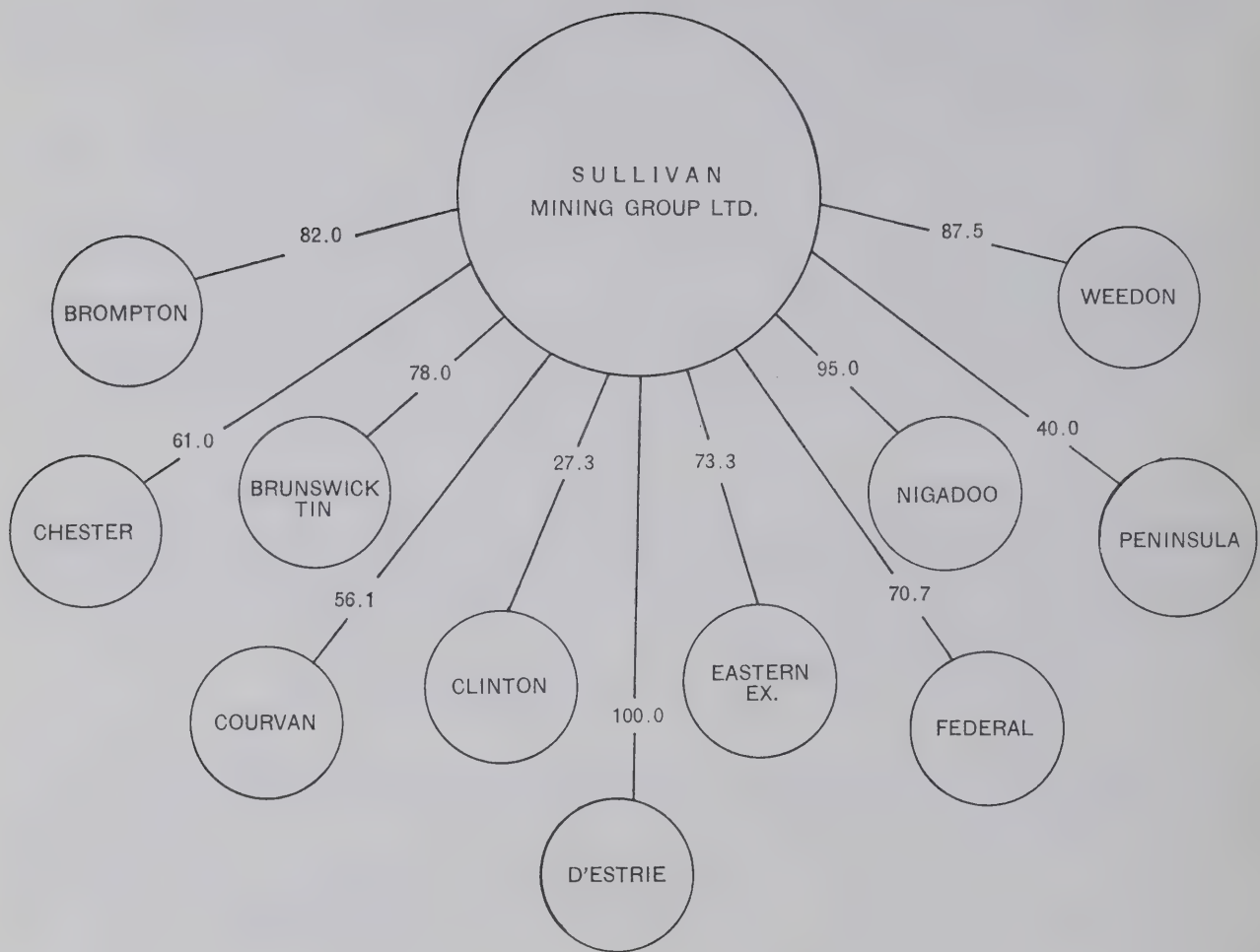
The transfer agents and registrars for the shares of the new company will be Guaranty Trust Company of Canada, Montreal and Toronto, and Bankers Trust Company, New York, U.S.A.

Tax Position of Canadian Shareholders

The three companies participating in the Plan understand that the amalgamation will not result in any liability for Canadian income tax to shareholders of any of the three participating companies.

Tax position of United States Shareholders

An application has been made to the Internal Revenue Service for clearance under section 367 of Internal Revenue Code to the effect that the said plan and amalgamation do not have as a purpose the avoidance of United States income taxes. United States tax counsel has advised that if such a ruling is obtained the U.S. shareholders of the Sullivan Mines Ltd., Qebec Lithium Corporation (N.P.L.) and Sullico Mines Limited (N.P.L.) will recognize no gain or loss upon the exchange of their shares for shares of the amalgamated company and furthermore, the basis of their shares in the amalgamated company will be the same as the basis of their shares in the participating companies. If such a ruling is not obtained, then the exchange of shares will be treated as a taxable transaction for income tax purpose for American shareholders, and any gain or loss must be recognized. Furthermore, even if clearance is not obtained for income tax purposes, the American stockholders of the participating companies will not be subject to interest equalization tax upon the exchange of their shares for shares of the amalgamated company.



Graphic illustration of the current percentage of interest to be held by Sullivan Mining Group Ltd. in a number of affiliates. Sullivan Mining Group Ltd. becomes the main vehicle and the continuing entity.

MEMORANDUM OF AGREEMENT ENTERED INTO AT MONTREAL

THIS THIRTIETH DAY OF JUNE 1969

BETWEEN:

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE, a body politic and corporate, having its head office at Suite 2500, 500 Place d'Armes, Montreal, Province of Quebec, herein acting and represented by its President, J. Jacques Beauchemin, and its Secretary, Réal J. Lafleur duly authorized hereto, (hereinafter called "Sullivan"),

PARTY OF THE FIRST PART,

— and —

SULLICO MINES LIMITED (No Personal Liability), a body politic and corporate, having its head office at Suite 2500, 500 Place d'Armes, Montreal, Province of Quebec, herein acting and represented by its President, J. Jacques Beauchemin, and its Secretary, Réal J. Lafleur duly authorized hereto, (hereinafter called "Sullico"),

PARTY OF THE SECOND PART,

— and —

QUEBEC LITHIUM CORPORATION (No Personal Liability), a body politic and corporate, having its head office at Suite 2500, 500 Place d'Armes, Montreal, Province of Quebec, herein acting and represented by its President, J. Jacques Beauchemin, and its Secretary, Réal J. Lafleur, duly authorized hereto, (hereinafter called "Q.L.C."),

PARTY OF THE THIRD PART.

WITNESSETH:

WHEREAS Sullivan, Sullico and Q.L.C. are three companies to which Part One of the Companies' Act applies, and have the same or similar objects; and

WHEREAS the authorized capital of Sullivan consists of FIVE MILLION (5,000,000) common shares of no par value, of which FOUR MILLION EIGHT HUNDRED THOUSAND (4,800,000) common shares have been issued and allotted and are outstanding as fully paid for a consideration of EIGHT MILLION DOLLARS (\$8,000,000.00); and

WHEREAS the authorized capital of Sullico consists of FIVE MILLION DOLLARS (\$5,000,000.) divided into FIVE MILLION (5,000,000) common shares of a par value of ONE DOLLAR (\$1.00) each, of which FOUR MILLION FOUR HUNDRED THOUSAND (4,400,000) common shares have been issued and allotted and are outstanding as fully paid; and

WHEREAS the authorized capital of Q.L.C. consists of THREE MILLION DOLLARS (\$3,000,000.) divided into THREE MILLION (3,000,000) common shares of a par value of ONE DOLLAR (\$1.00) each, of which TWO MILLION FIVE HUNDRED FIFTY THOUSAND (2,550,000) common shares have been issued and allotted and are outstanding as fully paid; and

WHEREAS Sullivan is the owner of ONE MILLION ONE HUNDRED AND TWO THOUSAND FIFTY (1,102,050) shares of Q.L.C.; and

WHEREAS Sullico is the owner of one million two hundred and six thousand four hundred and seventy-eight (1,206,478) shares of Sullivan, and three hundred ninety-two thousand three hundred fifty (392,350) shares of Q.L.C.; and

WHEREAS Q.L.C. is the owner of one hundred twenty-one thousand three hundred twenty-two (121,322) shares of Sullivan; and

WHEREAS the parties hereto deem it advisable to amalgamate as provided for under the Companies' Act and become a company incorporated under and governed by Part I of the said Act upon the terms and conditions hereinafter set forth, the said amalgamation being advisable for their mutual advantage and welfare and that of their shareholders; and

WHEREAS the parties have each made full disclosure (as could reasonably be done in the circumstances) to the others of all their respective assets and liabilities as at May 23, 1969;

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

1. Sullivan, Sullico and Q.L.C. hereby agree to amalgamate under the provisions of Division VIII of the Companies' Act and to form one company (hereinafter called "Amalgamated Company"), under the terms and conditions hereinafter set forth.
2. The name of the amalgamated company shall be "SULLIVAN MINING GROUP LTD — GROUPE MINIER SULLIVAN LTÉE".
3. The objects and purposes of the amalgamated company shall be as follows:
 - 1) Prospect and explore for mines and minerals;
 - 2) Carry on all operations by which the soil, earth, rocks and stones may, for the purpose of extracting any minerals whatsoever, be mined, dug, raised, washed, cradled, smelted, refined, crushed or treated in any manner; render such minerals merchantable by any means whatsoever; and sell or otherwise dispose thereof;
 - 3) Acquire, lease, possess and alienate mines, mining lands, mining rights, pre-emption rights, timber lands, licenses to cut timber, or any interest therein, mechanical contrivances, patent rights of invention, or the right to make use of such apparatus or patent rights for the aforesaid purposes;
 - 4) Build, maintain and exploit, upon its own property or upon that under its control, telegraph and telephone lines, embankments, dams, flumes, canals, water-powers, electric and other powers, water-works, roads, factories, buildings, mills, warehouses and stores, necessary or useful to its operations;
 - 5) Manufacture, buy and sell all kinds of goods, merchandise, tools and apparatus required by the company or its servants or workmen;
 - 6) Build, acquire, possess, charter and employ the vessels necessary for its operations and for the transport of its products;
 - 7) Receive, hold and dispose of shares, bonds, debentures or other securities issued by any mining company, in payment for minerals, lands, merchandise or works;
 - 8) Acquire the assets, enterprise, property, privileges, franchises, contracts or rights of persons or companies carrying on any industry or business which in itself may carry on under the Companies' Act, and pay for the same, in whole or in part, if such persons or companies consent thereto, by paid-up shares, and undertake the debts and charges of the same;
 - 9) To carry on the business of prospecting, drilling, developing, producing, refining, manufacturing, storing, piping, transporting, buying, selling, and dealing in natural gas, petroleum, oil and their products and by-products; to acquire, lease, possess, alienate, develop and operate wells and lands containing such substances, and any rights and interests therein;
 - 10) Do all such acts and operations accessory to those above mentioned, or which may facilitate the attainment of the objects for which it was incorporated;
 - 11) Acquire and hold, shares, debentures or other securities of companies to sell or otherwise deal with the same;
 - 12) The directors may, when they deem it expedient,
 - a) Borrow money upon the credit of the company;
 - b) Issue debentures or other securities of the company, and pledge or sell the same for such sums and at such prices as may be deemed expedient;
 - c) Notwithstanding the provisions of the Civil Code, hypothecate, mortgage or pledge the moveable or immoveable property, present or future, of the company, to secure any such debentures, or other securities, or give part only of such guarantee for such purposes; and constitute the hypothec, mortgage or pledge above mentioned, by trust deed, in accordance with sections 23 and 24 of the Special Corporate Powers Act (Chap. 275), or in any other manner;
 - d) Hypothecate or mortgage the immoveable property of the company, or pledge or otherwise affect the moveable property, or give all such guarantees, to secure the payment of loans made otherwise than by the issue of debentures, as well as the payment of performance of any other debt, contract or obligation of the company.

4. The authorized capital of the amalgamated company is to consist of TEN MILLION COMMON SHARES (10,000,000) without par value. The maximum consideration for which the no par value shares may be issued shall not exceed the amount of TWENTY MILLION DOLLARS (\$20,000,000.00) or such greater amount as the directors, by resolution, may deem expedient, on payment of the requisite governmental fees applicable to such greater amount.
5. The manner of converting the issued and outstanding shares of the capital stock of each of the parties into shares of the amalgamated company shall be as follows:
 - a) Each common share of the issued and outstanding capital stock of Sullivan shall be converted into one fully paid and non-assessable no par value share of the amalgamated company except one million three hundred and twenty-seven thousand eight hundred (1,327,800) common shares held by Sullico and Q.L.C.;
 - b) Each common share of the issued and outstanding capital stock of Sullico shall be converted into one fully paid and non-assessable no par value common share of the amalgamated company;
 - c) Every two common shares of the issued and outstanding capital stock of Q.L.C. shall be converted into one fully paid and non-assessable no par value common share of the amalgamated company, provided that where such operation results in leaving a fraction of a share of the amalgamated company, in the name of any shareholder, such shareholder shall not be entitled to be entered on the books of the amalgamated company in respect of such fraction of a share nor to receive a share certificate therefor, but shall be entitled to receive from the amalgamated company, the average closing price of a share of Q.L.C. on the exchanges on which the shares of Q.L.C. are listed in Canada on August 29th 1969, on presentation at the head office of the amalgamated company or at the head office of any qualified transfer agent of the company of any remaining single share of Q.L.C. and the amalgamated company shall divest itself of these shares by issuing, with the shortest delay, one (1) common share of the amalgamated company each time it holds two (2) shares of Q.L.C., except one million four hundred and ninety four thousand four hundred (1,494,400) common shares held by Sullivan and Sullico.
6. After the effective date, each holder of a certificate representing shares in the three companies: Sullivan, Sullico and Q.L.C., when so requested by the amalgamated company, shall surrender the certificates held by them for cancellation and upon such surrender for cancellation, shall be entitled to receive a certificate or certificates in definite or temporary form for the number of such shares of the capital stock of the amalgamated company to which the holder of such share certificate or certificates shall be entitled.
7. The head office of the amalgamated company shall be at: Suite 2500, 500 Place d'Armes, Montreal, Province of Quebec.
8. The board of directors of the amalgamated company shall consist of eleven (11) members, and the name, calling and place or residence of the first directors of the amalgamated company shall be as follows:

Name and Address	Calling
BEAUCHEMIN, JEAN 141 Pagnuelo Ave, Outremont, P.Q.	Mining Executive
BEAUCHEMIN, J. Jacques 355 Bloomfield Ave, Outremont, P.Q.	Lawyer
BEAUCHEMIN, André 275 Montrose Ave, St. Lambert, P.Q.	Engineer
BEAUCHEMIN, Gendron 101 Dunrae Ave, Town of Mount Royal, P.Q.	Engineer
BELIVEAU, Lucien C. 3790 Vendôme Ave, Montréal, P.Q.	Engineer
DHAVERNAS, Marc H. 3010 The Boulevard, Apt. A51, Montreal, P.Q.	Executive

MONTMINY, J. Alexander
29 Waldo St., New Bedford, Mass. U.S.A.

Mining Executive

GAUVREAU, J. Guy
32 Beloeil Ave, Outremont, P.Q.

Brigadier Général

LAFORCE, J. Ernest
3205 Appleton Ave, Montreal, P.Q.

Mining Executive

LAFLEUR, Réal J.
7180 Milan Blvd., Brossard, P.Q.

Mining Executive

McDONALD, Paul F.
4501 Sherbrooke W. Apt. 3A, Montreal, P.Q.

Broker

The first directors shall hold office until the first annual meeting of the amalgamated company or until their successors are elected or appointed. The subsequent directors of the amalgamated company shall be elected each year at the annual meeting of the amalgamated company by a majority of vote of the shares represented at such meeting. Any vacancy occurring in the board of directors of the amalgamated company may be filled for the remainder of the term by the remaining directors, provided that they constitute a quorum, from among the qualified shareholders of the amalgamated company.

9. On the effective date, in accordance with this agreement, each of the parties shall contribute to the amalgamated company all its assets, subject to all its liabilities. The amalgamated company shall succeed to and possess all rights, privileges, powers and franchises of a public as well as a private nature of the amalgamating companies and be subject to all the restrictions, liabilities, and duties and all said rights, privileges, powers and franchises and all property moveable and immoveable, real or personal, and all debts due to any of the parties on whatsoever account, as all other things in action shall be vested in the amalgamated company; and all the said property, rights, privileges, powers and franchises and all and every other interest shall be thereafter effectually the property of the amalgamated company and all restrictions, debts, liabilities and duties of the amalgamating companies shall henceforth attach to the amalgamating company and may be in force against it and be its responsibility to the same extent as if said duties, liabilities and debts had been incurred or contracted by the amalgamated company.
10. The amalgamated company shall be subject in all respects to the provisions of the Companies' Act, and particularly to Part One of the Companies' Act.
11. All rights of creditors against the property, rights and assets of Sullivan, Sullico and Q.L.C., and/or charges upon their property, rights and assets shall be unimpaired by such amalgamation and all debts, contracts, liabilities and duties of Sullivan, Sullico and Q.L.C. shall thenceforth attach to the amalgamated company and may be enforced against it to the same extent as if such debts, contracts, liabilities and duties had been contracted by the amalgamated company.
12. The by-laws of Sullivan Mines Ltd — Les Mines Sullivan Ltée shall, "mutatis mutandis", be the by-laws of the amalgamated company, unless and until added, repealed or amended.
13. The amalgamated company shall, if the amalgamation provided for herein is consummated, pay all the expenses of the amalgamation. If, however, this agreement of amalgamation is terminated or abandoned prior to the effective date, each of the parties will bear its share of the expenses.
14. Each of the parties may, by resolution of their respective board of directors, assent to any modification of this agreement, which their respective shareholders at a special general meeting, or the Minister of Financial Institutions, Companies and Cooperatives, may require, and this agreement shall be deemed to include such modification.
15. Upon the adoption of this agreement upon the approval of at least two-thirds in value of the shares represented at special general meetings of the shareholders of each of Sullivan, Sullico and Q.L.C. duly called forthwith to consider this agreement, that fact shall be certified by the respective Secretaries of Sullivan, Sullico and Q.L.C. upon a signed copy of this agreement, the parties hereto shall thereupon make a joint petition to the Lieutenant-Governor of the Province of Quebec for letters patent confirming this agreement.

16. This agreement may be executed in three more counterparts, each of which shall be deemed to be an original, and shall be binding upon the parties.

IN WITNESS WHEREOF, THE PARTIES HERETO HAVE CAUSED THESE PRESENTS TO BE EXECUTED BY THEIR RESPECTIVE PRESIDENT AND SECRETARY AND THEIR RESPECTIVE SEALS TO BE HEREUNTO AFFIXED.

DATED AT MONTREAL, this thirtieth day of June, 1969.

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE,

Per: J. JACQUES BEAUCHEMIN, President

Per: RÉAL J. LAFLEUR, Secretary

SULLICO MINES LIMITED (No Personal Liability),

Per: J. JACQUES BEAUCHEMIN, President

Per: RÉAL J. LAFLEUR, Secretary

QUEBEC LITHIUM CORPORATION (No Personal Liability),

Per: J. JACQUES BEAUCHEMIN, President

Per: RÉAL J. LAFLEUR, Secretary

SULLIVAN MINES LTD.
(Incorporated under the Quebec Companies Act)

ASSETS

CURRENT ASSETS:

Cash	\$ 125,424	
Term deposits and accrued interest	2,721,573	
Marketable securities at market value (Annex 1).	1,499,103	
Accounts receivable:		
Current	402,597	
Accrued interest	51,611	
Concentrates valued at estimated net return under firm sales contracts less advances thereon	951,700	
Mining, milling and refinery supplies:		
Valued at average cost	886,734	
Valued at possible amount of realization	33,484	
Prepaid expenses	22,478	
Special refundable tax	<u>10,247</u>	\$ 6,704,951
ACCRUED INTEREST on first mortgage income bond of an affiliated company		225,000
INVESTMENT IN AFFILIATED COMPANIES (Annex 1):		
Listed shares at market value	17,226,860	
Shares valued as per shareholders' equity shown on audited balance sheets as at May 31, 1969	1,728,407	
Other shares and debentures at cost	3,841,910	
Loans and advances	<u>1,039,305</u>	23,836,482
MORTGAGES RECEIVABLE from employees	48,483	
OTHER SECURITIES	<u>21,593</u>	70,076
FIXED ASSETS: Note 4		
Mining properties at cost	96,136	
Buildings, plant and equipment at cost, acquired from Hastings Mining and Development Co. Ltd., less accumulated depreciation of \$82,035	335,287	
Buildings, plant and equipment at cost reduced by proceeds of sales, less accumulated depreciation of \$2,090,111	46,720	
Office equipment at cost, less accumulated depreciation of \$20,687	<u>19,296</u>	497,439
OUTSIDE EXPLORATION EXPENDITURES, less amounts written off		<u>403,320</u>
		<u><u>\$31,737,268</u></u>

Approved on behalf of the Board of Directors:

J. JACQUES BEAUCHEMIN
ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at May 31, 1969

LIABILITIES

CURRENT LIABILITIES:

Accounts payable, accrued expenses and outstanding cheques	\$ 442,753	
Wages payable	30,186	
Unclaimed dividends	11,413	
Provision for estimated claim by Emergency Gold Mining Assistance Act	22,109	
Provision for Quebec Mining Profits Tax	<u>178,221</u>	\$ 684,682

CAPITAL STOCK: Note 5

Authorized — 5,000,000 shares without par value	
Issued and fully paid 4,800,000 shares	8,000,000

RETAINED EARNINGS, as per statement	<u>6,434,022</u>
	14,434,022

UNREALIZED APPRECIATION ON INVESTMENTS	<u>16,618,564</u>
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SHAREHOLDERS' EQUITY	31,052,586
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\$31,737,268

We have examined the balance sheet of Sullivan Mines Ltd. as at May 31, 1969 and the statements of earnings, retained earnings and source and application of funds for the period of nine months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements, when read with the notes thereto, present fairly the financial position of the Company as at May 31, 1969 and the results of its operations for the period of nine months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

Montreal, July 14, 1969.

SULLIVAN MINES LTD.

NOTES TO FINANCIAL STATEMENTS

Note 1

Under date of May 23, 1969, the directors of Sullivan Mines Ltd., Quebec Lithium Corporation and Sullico Mines Limited have agreed to amalgamate so as to form one company under the name of Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée.

An amalgamation agreement dated June 30, 1969 has been approved by the directors of the three amalgamating companies, which provides that at the date of amalgamation each common no par value share of Sullivan Mines Ltd. (except 1,327,800 shares held by the other amalgamating companies) shall be converted into one no par value common share of the amalgamated company.

The above transaction is subject to the approval and ratification by at least two-thirds in value of the shares represented at special general meetings of the shareholders of the three amalgamating companies, as well as the approval where relevant, of the appropriate Canadian regulatory bodies having jurisdiction over same and in such matters, and will be effective only upon obtaining the required letters patent from the Province of Quebec.

Note 2

Pending legal procedures against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd:

Legal proceedings have been instituted against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. and their directors by two (2) former shareholders of Hastings Mining and Development Co. Ltd. for the purpose of cancelling the sale by Hastings Mining and Development Co. Ltd. to Sullivan Mines Ltd. of the Solbec Mines, together with all its mining interest, investments and assets. The purchase and sale agreement dated October 18, 1968 between the two companies were approved at a special general meeting of the shareholders of both companies held on November 21, 1968.

The proceedings have been contested and in the opinion of the counsel for the said companies and directors, they are ill-founded in fact and in law.

Note 3

Pending legal proceedings

Objection to an assessment for additional mining duties for the fiscal year 1966 has been lodged. This assessment together with similar provisions for the fiscal years 1968 and 1969 have been duly accounted for in the books of the Company.

Contingent liabilities

- A) The Company is contesting an assessment for additional tax on capital from the Minister of Revenue for the years 1965 to 1968 amounting to \$56,122, together with subsequent years for which no provision has been made in the accounts.
- B) Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Sullivan Mines Ltd. has an interest of 20% and, in case of default in the delivery of such shares, payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited; in the opinion of the legal adviser of the Company, these proceedings are ill-founded in fact and in law.

Note 4

The proceeds from sales, during the year, of mine buildings, plant and equipment at the mine that ceased its operations during the year amounted to \$41,690 and have been credited against the cost of fixed assets. It is still the intent of management to continue this procedure in recording sales of this kind, until such time as the proceeds exceed the cost, the excess then being credited to earnings.

The balance of the estimated realizable value of \$273,610.00 set by management as at August 31, 1968 has been reduced by \$41,690 being the proceeds of sales made during the period of nine months ended on May 31, 1969.

Note 5

Supplementary letters patent have been obtained on November 22, 1968 giving effect to the following:

- A) Changing the name of the company to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.
- B) Converting the 4,000,000 common shares of \$1.00 par value of Sullivan Consolidated Mines Limited into 4,000,000 shares without par value.
- C) Increasing the authorized capital of the company by the creation of 1,000,000 additional shares without par value ranking equally with the new 4,000,000 shares without par value.
- D) Selling to Hastings Mining and Development Co. Ltd. 800,000 shares without par value at \$5.00 per share.
- E) After the acquisition by Hastings Mining and Development Co. Ltd. of the net assets of Solbec Copper Mines Ltd., its wholly owned subsidiary, Sullivan Mines Ltd. purchased the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as at September 1, 1968.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the period of nine months
ended May 31, 1969

WORKING CAPITAL at beginning of year			<u>\$ 1,343,186</u>
SOURCE OF FUNDS:			
Net earnings for the year	\$ 3,336,157		
Depreciation	<u>85,440</u>	\$ 3,421,597	
Instalments received on mortgages		378	
Sale of buildings, machinery and equipment		41,689	
Reimbursement of advances by affiliated companies		2,881,214	
Adjustments of prior years' income taxes		18,646	
Proceeds from issue of capital stock		4,000,000	
Profit on sale of fixed assets — net.		<u>450</u>	<u>10,363,974</u>
APPLICATION OF FUNDS:			
Dividends paid to shareholders		1,184,000	
Acquisition of investments in affiliated companies		568,332	
Purchases of other mining shares		5,145	
Outside exploration expenditures		165,342	
Purchases of equipment		422,587	
Acquisition of first mortgage income debenture		3,000,000	
Decrease in value of marketable bonds		2,349	
Advances on mortgage		18,000	
Mining properties at cost		96,136	
Accrued interest on first mortgage income bond not included in current assets		<u>225,000</u>	<u>5,686,891</u>
Increase in working capital			<u>4,677,083</u>
WORKING CAPITAL at end of period			<u>\$ 6,020,269</u>

STATEMENT OF RETAINED EARNINGS

as at May 31, 1969

BALANCE at beginning of period		\$ 4,263,219
ADD:		
Net earnings for the period		3,336,157
Adjustment of prior years' income taxes		<u>18,646</u>
		7,618,022
DEDUCT:		
Dividends paid		<u>1,184,000</u>
BALANCE at end of the period		<u>\$ 6,434,022</u>

SULLIVAN MINES LTD.

STATEMENT OF EARNINGS

For the period ended May 31, 1969

Revenue from metal recoveries — Production	\$ 4,508,011	
LESS: Cost of realization and freight	<u>1,470,899</u>	\$ 3,037,112
DEDUCT:		
Surface exploration and development expenses	6,561	
Mining expense	938,077	
Custom milling expense	322,698	
General mine overhead	49,986	
General administration expense	139,421	
Depreciation of buildings, plant and equipment	<u>85,440</u>	
	1,542,183	
ADD:		
Adjustment to provide for estimated claim under Emergency Gold Mining Assistance Act	<u>51,848</u>	<u>1,594,031</u>
OPERATING PROFIT		1,443,081
Outside exploration expenditures written off	34,371	
Recuperation and closing down expenses	48,133	
Loss on sales of mining and milling supplies	2,575	
Devaluation of supplies to possible realization value	(4,459)	
Loss on sales of office equipment	<u>(170)</u>	<u>80,450</u>
		1,362,631
Sale of recuperated material and scrap		<u>16,546</u>
		1,379,177
OTHER INCOME:		
Dividends	1,663,262	
Interest	194,200	
Accrued interest receivable on first mortgage income bonds	225,000	
Gain on reimbursement of demand note by an affiliated company	24,887	
Loss on sale of bonds	<u>(1,500)</u>	<u>2,105,849</u>
Net Profit before taxes		3,485,026
Provision for Quebec Mining Tax		<u>148,869</u>
NET EARNINGS FOR THE PERIOD, transferred to retained earnings		<u>\$ 3,336,157</u>

SCHEDULE OF INVESTMENTS

as at May 31, 1969

Annex I

MARKETABLE SECURITIES:

	Cost	Market Value
Bonds	\$ 1,494,221	\$ 1,489,895
Shares	9,208	9,208
	<u>\$ 1,503,429</u>	<u>\$ 1,499,103</u>

	Shares held	Market Prices as at May 31, 1969		
SHARES IN AFFILIATED COMPANIES:				
Quebec Lithium Corporation	1,102,050	\$3.95	\$ 625,906	\$ 4,353,097
East Sullivan Mines Limited	1,561,850	8.05	946,601	12,572,892
Courvan Mining Co. Ltd.	733,833	0.41	193,076	300,871
			<u>\$ 1,765,583</u>	<u>\$17,226,860</u>

Valuation as per shareholders' equity shown on the audited balance sheet as at May 31, 1969:

				Valuation
Cupra Mines Ltd. (cost in 1965)	1,200,000	\$ 385,037	\$ 1,269,197	
Nigadoo River Mines Ltd. (cost in 1968)	978,833	181,757	459,210	
		<u>\$ 566,794</u>	<u>\$ 1,728,407</u>	

OTHER SHARES AT COST:

Federal Metals Corp.	641,885 x	\$ 309,202	No market value
Eastern Explorers Corp.	183,339 x	7,846	
Peninsula Metals Corp.	100,007 x	9,945	
D'Estrie Mining Co. Ltd.	596,852	59,685	
Chester Mines Ltd.	529,500 x	34,234	
Brompton Mines Ltd.	205,000 x	600	
Weedon Mines Ltd.	875,000 x	112,500	
		<u>\$ 534,012</u>	

DEBENTURES:

Chester Mines Ltd., 6½% August 31, 1974, interest payable from 1969	\$ 327,000	<u>\$ 307,898</u>
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1st MORTGAGE INCOME BONDS:

Nigadoo River Mines Ltd., 9%, August 31, 1976, interest payments subject to operating profits	\$ 3,333,333	<u>\$ 3,000,000</u>
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LOANS AND ADVANCES:

Cupra Mines Ltd.	\$ 804,000
Weedon Mines Ltd.	218,000
Chester Mines Ltd.	14,000
Brompton Mines Ltd.	1,350
Peninsula Metals Corp.	925
Eastern Explorers Corp.	1,030
	<u>\$ 1,039,305</u>

OTHER MINING SHARES:

Clinton Copper Mines Ltd. — 4% Preferred	5,140	\$ 5,145
Clinton Copper Mines Ltd. — Common	41,236	—
Sullipek Mines Ltd.	125,000 x	11,448
Others	5,000	5,000
		<u>\$ 21,593</u>

x Inclusive of the following pooled shares:

Eastern Explorers Corp.	183,333
Federal Metals Corp.	67,935
Peninsula Metals Corp.	100,000
Chester Mines Ltd.	187,500
Sullipek Mines Ltd.	55,000
Weedon Mines Ltd.	125,000
Brompton Mines Ltd.	205,000

SULLICO MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$	35,628	
Time deposits and accrued interest.		1,309,563	
Marketable securities at market value — Annex I:			
Bonds	\$	1,902,950	
Bank, public utility and industrial shares		<u>963,650</u>	2,866,600
Accrued interest			31,190
Accounts receivable			105,371
Mining and milling supplies:			
Valued at average cost		22,736	
Valued at possible realizable value		<u>38,469</u>	61,205
Prepaid expenses			7,832
Recoverable taxes and mining duties (Note 3)			38,941
Special refundable tax		<u>1,632</u>	\$ 4,457,962
ACCRUED INTEREST on first mortgage income bonds of subsidiary company.			450,000

INVESTMENTS IN AFFILIATED COMPANIES — Annex I:

Shares at market value		11,941,327	
Other shares, debentures and income bonds.		7,167,539	
Loans and advances		<u>3,010,610</u>	22,119,476
Investments in subsidiary companies not consolidated Annex I (Note 6).			2,748,249
Other securities			105,923

FIXED ASSETS — (Note 2)

Mining properties — nominal value		1	
Buildings, plant and equipment at mine at cost reduced by the proceeds of sales, less accumulated depreciation of \$192,540.		44,141	
Other equipment at cost, less accumulated depreciation of \$53,573		<u>108,351</u>	152,493
OUTSIDE EXPLORATION EXPENDITURES, less amounts written off			<u>910,818</u>

\$30,944,921

Approved on behalf of the Board of Directors:

J. JACQUES BEAUCHEMIN
LUCIEN C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at May 31, 1969

LIABILITIES

CURRENT LIABILITIES:

Accounts payable. \$ 249,009

CAPITAL STOCK:

Authorized —

5,000,000 shares of \$1.00 par value \$ 5,000,000

Issued and paid —

4,400,000 shares \$ 4,400,000

CONTRIBUTED SURPLUS 5,311,869

RETAINED EARNINGS, as per statement 11,474,004 \$21,185,873

UNREALIZED APPRECIATION ON INVESTMENTS 9,510,039

SHAREHOLDERS' EQUITY 30,695,912

\$30,944,921

We have examined the balance sheet of Sullico Mines Limited as at May 31, 1969 and the statements of earnings, retained earnings and source and application of funds for the period of nine months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements, when read with the notes thereto, present fairly the financial position of the Company as at May 31, 1969 and the results of its operations for the period of nine months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, July 14, 1969.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

SULLICO MINES LIMITED

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

As at May 31, 1969

Note 1

Under date of May 23, 1969, the directors of Sullico Mines Limited, Sullivan Mines Ltd. and Quebec Lithium Corporation have agreed to amalgamate so as to form one company under the name of Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée.

The amalgamation agreement dated June 30, 1969, has been approved by the directors of the three amalgamating companies, which provides that at the date of amalgamation each outstanding share of Sullico Mines Limited shall be converted into one share of the amalgamated company.

The above transaction is subject to the approval and ratification by at least two-thirds in value of the shares represented at special general meetings of the shareholders of the three amalgamating companies, as well as the approval where relevant, of the appropriate Canadian regulatory bodies having jurisdiction over same and in such matters, and will be effective only upon obtaining the required letters patent from the Province of Quebec.

Note 2

The proceeds from sales of mine plant and equipment have been credited against the cost of fixed assets during the period. It is still the intent of management to continue this procedure in recording sales of this kind until such time as the proceeds exceed the cost, the excess then being credited to earnings. Furthermore, management believes that final realization of the remaining assets will exceed the net value appearing on the balance sheet.

Note 3

Contingent liabilities:

The financial statements do not take into account the following:

- A) The company is contesting an assessment for additional tax on capital from the Minister of Revenue for the years 1965 to 1968 amounting to \$26,389 together with subsequent years.
- B) An assessment for additional Quebec mining profits tax amounting to \$38,359 that the Company is contesting.

Note 4

Pending legal procedures:

Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allotted to Sullico Mines Limited and alternately failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000.00 of damages against Sullico Mines Limited. This litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec.

These proceedings have been contested by Sullico Mines Limited and according to the company's counsel, these proceedings are illfounded in fact and in law.

Note 5

The amount of the dividend included in income has been determined as follows:

Value placed on 399,263 shares of Sullivan Mines Ltd.	\$2,894,657	
Cash	<u>12,477</u>	\$2,907,134
DEDUCT: Cost of Company's investment in Hastings Mining and Development Co. Ltd.		<u>750,792</u>
		<u>\$2,156,342</u>

Note 6

Investment in subsidiaries not consolidated:

The financial statements of Nigadoo River Mines Ltd. and Cupra Mines Ltd. are not consolidated because of the existence of substantial minority interests. However the investment in these companies is valued as per shareholders' equity as shown on the audited balance sheets as at May 31, 1969 and the excess between the valuation thus established and the cost is reflected in the unrealized appreciation on investments.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the period of nine months
ended May 31, 1969

WORKING CAPITAL at beginning of period			<u>\$ 3,268,614</u>
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SOURCE OF FUNDS:

Net earnings for the period	\$ 5,918,614		
LESS: Dividend in shares received from Hastings Mining and Development Co. Ltd. (in process of winding-up).	<u>2,143,865</u>	\$ 3,774,749	
Depreciation		14,211	
Sales of fixed assets		34,864	
Increase in the unrealized appreciation in value of marketable bonds		64,060	
Sale of shares in affiliated company	2,467,779		
LESS: profit included in earnings	<u>1,351,497</u>	1,116,282	
Reimbursements of loans and advances		<u>4,880,160</u>	9,884,326

APPLICATION OF FUNDS:

Dividends paid to shareholders		1,980,000	
Additions to fixed assets		64,298	
Outside exploration expenditures		333,645	
Acquisition of first mortgage income bonds		6,000,000	
Acquisition of mining shares:			
Subsidiary	110,362		
Other	<u>5,682</u>	116,044	
Accrued interest on first mortgage income bond, not included in current assets		<u>450,000</u>	<u>8,943,987</u>
Increase in working capital			<u>940,339</u>

WORKING CAPITAL at end of period			<u>\$ 4,208,953</u>
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SULLICO MINES LIMITED

(No Personal Liability)

STATEMENT OF EARNINGS

For the period of nine months
ended May 31, 1969

Depreciation	\$ 14,211	
General administration expenses	59,568	\$ 73,779
Outside exploration expenditures written off	51,385	
Recuperation and closing down expenses	6,030	
Loss on sales of mining and milling supplies.	1,473	
Mine overhead after closing	5,311	
Loss on sales of fixed assets	637	64,836
		(138,615)
Revaluation of mining and milling supplies to their possible realization value (adjustment).	2,967	
Sales of recuperated material and scrap.	10,001	12,968
		(125,647)
OTHER INCOME:		
Dividends	1,814,677	
Interest	168,586	
Profit on sale of bonds	53,386	
Profit on sale of shares of affiliated company	1,351,497	
Accrued interest receivable on first mortgage income bonds	450,000	
Gain on reimbursement of demand note by an affiliated company	49,773	3,887,919
		3,762,272
Dividend received from Hastings Mining and Development Co. Ltd. (in process of winding-up)		2,156,342
NET EARNINGS FOR THE YEAR, carried to Retained Earnings		\$ 5,918,614

STATEMENT OF RETAINED EARNINGS

as at May 31, 1969

BALANCE at beginning of period	\$ 7,535,390	
ADD:		
Net earnings for the period of nine months ended May 31, 1969	5,918,614	\$13,454,004
DEDUCT:		
Dividends paid		1,980,000
BALANCE at end of the period		\$11,474,004

SCHEDULE OF INVESTMENTS

As at May 31, 1969

Annex I

		Cost	Market Value	
MARKETABLE SECURITIES:				
Bonds		\$ 1,885,427	\$ 1,902,950	
Shares:				
Banks		\$ 421,988	\$ 594,701	
Public utilities		316,415	256,707	
Industries		28,277	76,732	
Trusts and financial institutions		32,960	35,510	
		\$ 799,640	\$ 963,650	
	Shares held	Market prices		
AFFILIATED COMPANIES:				
Sullivan Mines Ltd.	1,206,478	\$8.10	\$ 3,853,256	
Quebec Lithium Corporation	392,350	3.95	786,682	
Courvan Mining Co. Ltd.	1,509,932	.41	271,588	
		\$ 4,911,526	\$11,941,327	
SUBSIDIARY COMPANIES NOT CONSOLIDATED:				
Valuation as per shareholders' equity shown on the audited balance sheets as at May 31, 1969:				
Cupra Mines Ltd.	1,800,000	\$ 165,000	\$ 1,903,796	
Nigadoo River Mines Ltd.	1,800,000	284,544	844,453	
		\$ 449,544	\$ 2,748,249	
OTHER SHARES AT COST:				
D'Estrie Mining Co. Ltd.	1,193,710	\$ 119,378	No current market value	
Peninsula Metals Corp.	200,000 x	19,771		
Eastern Explorers Corp.	366,667 x	12,194		
Federal Metals Corp.	1,283,770 xx-1	618,976		
Brompton Mines Ltd.	410,007 xx-2	1,207		
Chester Mines Ltd.	264,757 xx-3	17,107		
Weedon Mines Ltd.	1,750,000 xx-4	225,006		
		1,013,639		
DEBENTURES:				
Chester Mines Ltd., 6½%, August 31, 1974, interest payable from 1969	\$ 163,500	153,900		
1st MORTGAGE INCOME BONDS:				
Nigadoo River Mines Ltd., 9% August 31, 1976, interest payments subject to operating profits	\$ 6,666,667	6,000,000		
		\$ 7,167,539		
SUNDRIES:				
Sullipek Mines Inc.	375,000 xx-5	\$ 34,343		
Adelaide Mining Ltd.	16,666-4/6	1,010		
Clinton Copper Mines Ltd.	358,761	—		
Clinton Copper Mines Ltd., 4% preferred	74,263	69,350		
Corplex, 7% preferred	122	1,220		
		\$ 105,923		
LOANS AND ADVANCES:				
Cupra Mines Ltd.		\$ 1,016,000		
East Sullivan Mines Limited		1,545,000		
Weedon Mines Ltd.		436,000		
Chester Mines Ltd.		7,000		
Sundries		6,610		
		\$ 3,010,610		

x All pooled shsres.

xx Including pooled shares: 1 — 135,870
2 — 410,000
3 — 93,750
4 — 250,000
5 — 165,000

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$	18,336	
Time deposits		—	
Marketable securities at market value (note 3 and annex 1)		887,301	
Accrued interest		77,127	
Due from broker on sale of securities		481,246	
Accounts receivable		4,659	
Advances to an affiliated company		<u>2,307,000</u>	\$ 3,775,669

DEFERRED CHARGES:

Mining, milling and refinery supplies valued at possible amount of realization		164,895	
Prepaid expenses		<u>5,157</u>	170,052

INVESTMENTS IN AFFILIATED COMPANIES — Annex 1

Shares at market value		1,794,550	
Other shares and debentures at cost		171,000	
Advances		<u>6,000</u>	1,971,550

OTHER SECURITIES			5,724
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REAL ESTATE AT COST			111,175
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FIXED ASSETS:

Mining properties at cost		154,999	
Buildings, plant and equipment at cost,			
LESS: accumulated depreciation (1969 — \$5,160,967)		<u>816,528</u>	971,527

OUTSIDE EXPLORATION EXPENDITURES, less amounts written off			68,568
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\$ 7,074,265

Approved on behalf of the Board of Directors

JEAN BEAUCHEMIN

ANDRÉ LATREILLE

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at May 31, 1969

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 18,416	
Mortgage instalment due December 23, 1969 plus accrued interest	<u>7,525</u>	\$ 25,941
MORTGAGE on real estate, bearing 3% interest payable in annual instalments in U.S. funds and maturing December 23, 1972 (converted)	28,667	
LESS: Instalment maturing in 1969	<u>7,167</u>	21,500

CAPITAL STOCK:

Authorized:

3,000,000 shares of \$1.00 par value \$ 3,000,000

Issued and fully paid: 2,550,000 shares 2,550,000

CONTRIBUTED SURPLUS: Net premium on shares issued 1,768,817

RETAINED EARNINGS, as per statement 1,953,838
6,272,655

UNREALIZED APPRECIATION on investments 754,169

SHAREHOLDERS' EQUITY 7,026,824

\$ 7,074,265

We have examined the balance sheet of Quebec Lithium Corporation as at May 31, 1969 and the statements of earnings, retained earnings, contributed surplus and source and application of funds for the period of nine months ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the financial statements referred to above, when read with the notes thereto, present fairly the financial position of the company as at May 31, 1969 and the results of its operations for the period of nine months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

Montreal, July 14, 1969.

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

NOTES TO FINANCIAL STATEMENTS

Note 1

- A) Under date of May 23, 1969 the directors of the company offered to purchase and the company has purchased the net assets (excluding cash) of Cupra Mines Ltd. as of June 1, 1969 for the sum of \$3,172,709. The company will also undertake to indemnify Cupra Mines Ltd. and its directors against all actions, proceedings, claims and demands which could affect the global amount referred to above.
- B) The transaction is subject to obtaining the approval, confirmation and ratification of the various interested parties and/or the Canadian regulatory bodies having jurisdiction in such a matter.
- C) Any further adjustment or other contingent liabilities, whatsoever and wheresoever, affecting the aggregate amount referred to above shall at all times be for the account of Quebec Lithium Corporation.

Note 2

Under date of May 23, 1969, the directors of Quebec Lithium Corporation, Sullivan Mines Ltd. and Sullico Mines Limited have agreed to amalgamate so as to form one company under the name of Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée.

An amalgamation agreement dated June 30, 1969 has been approved by the directors of the three amalgamating companies, which provides that at the date of the amalgamation each two outstanding common shares of Quebec Lithium Corporation (except 1,494,400 shares held by the other amalgamating companies) shall be converted into one no par value common share of the amalgamated company.

The above transaction is subject to the approval and ratification by at least two-thirds in value of the shares represented at special general meetings of the shareholders of the three amalgamating companies, as well as the approval where relevant, of the appropriate Canadian regulatory bodies having jurisdiction over same and in such matters, and will be effective only upon obtaining the required letters patent from the Province of Quebec.

Note 3

No provision has been made in the financial statements for assessment for additional taxes from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 amounting to \$9,749.00 which is being contested by the Company, nor for the subsequent period. In this connection the Company has deposited \$100,000. Province of Quebec bonds as a guarantee for the above mentioned claim as well as those of a similar nature against certain other companies of the Sullivan Group.

Note 4

Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Quebec Lithium Corporation has an interest of 10% and, in case of default in the delivery of such shares, payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the company, these proceedings are ill-founded in fact and in law.

Note 5

The amount of the dividend received from Hastings Mining & Development Co. Ltd., included in income as shown on the statement of earnings has been determined as follows:

Value placed on 131,200 shares of Sullivan Mines Ltd.	\$ 951,200	
Cash	4,100	\$ 955,300
Deduct: Cost of company's investment in Hastings Mining & Development Co. Ltd.		143,085
		<u>\$ 812,215</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the period of nine months
ended May 31, 1969

WORKING CAPITAL at beginning of period		<u>\$ 3,459,323</u>
SOURCE OF FUNDS:		
Net earnings for the period	\$ 869,988	
LESS: Dividend in shares received from Hastings Mining & Development Co. Ltd. (in process of winding-up)	<u>808,115</u>	61,873
Depreciation		144,124
Decrease in mining and milling supplies		6,229
Sales of fixed assets — net		11,791
Decrease in prepaid expenses		1,895
Sales of shares in affiliated company		<u>422,069</u>
		<u>647,981</u>
APPLICATION OF FUNDS		
Net decrease in the unrealized appreciation in value of investments		11,167
Outside exploration		2,410
Instalment on mortgage payable		7,171
Purchase of shares and debentures from affiliated company		334,828
Advance to an affiliated company.		<u>2,000</u>
		<u>357,576</u>
Increase in working capital		<u>290,405</u>
WORKING CAPITAL at end of period		<u><u>\$ 3,749,728</u></u>

STATEMENT OF RETAINED EARNINGS

as at May 31, 1969

BALANCE at beginning of period	<u>\$ 1,083,850</u>
ADD: Net earnings for the period	<u>869,988</u>
BALANCE at end of the period as per Balance Sheet	<u><u>\$ 1,953,838</u></u>

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

STATEMENT OF EARNINGS

For period of nine months
ended May 31, 1969

Depreciation on buildings, plant and equipment	\$ 144,124	
Idle plant expenses	30,771	
General administrative expenses	<u>61,725</u>	
OPERATING LOSS		\$ 236,620
Outside exploration expenses written off	15,999	
Loss on sales of mining and milling supplies	2,283	
Devaluation of mining and milling supplies to their possible realization value	<u>(2,670)</u>	<u>15,612</u>
		(252,232)
Net profit on sales of buildings and equipment	8,349	
Sales of recuperated material and scrap	<u>1,858</u>	<u>10,207</u>
		(242,025)
OTHER EXPENSES:		
Interest on mortgage		<u>631</u>
		(242,656)
OTHER INCOME:		
Dividends from affiliated companies	64,196	
Interest — from affiliated companies	46,631	
— others	130,670	
Loss on sale of bonds	(221)	
Profit on sales of shares of affiliated company	<u>59,153</u>	<u>300,429</u>
		57,773
Dividend received from Hastings Mining & Development Co. Ltd. (in process of winding-up)		<u>812,215</u>
NET EARNINGS FOR THE PERIOD, carried to retained earnings		<u>\$ 869,988</u>

SCHEDULE OF INVESTMENTS

as at May 31, 1969

Annex I

			Cost	Market Value
MARKETABLE SECURITIES:				
Bonds			\$ 916,212	\$ 886,997
Shares			300	304
			<u>\$ 916,512</u>	<u>\$ 887,301</u>
AFFILIATED COMPANIES:				
	Shares held	Market Price		
Sullivan Mines Ltd.	121,322	\$8.10	\$ 845,066	\$ 982,708
East Sullivan Mines Limited	100,850	8.05	166,104	811,842
			<u>\$ 1,011,170</u>	<u>\$ 1,794,550</u>
OTHER SHARES AT COST:				
Chester Mines Limited	264,750	xx-1	\$ 17,100	No current market
FIRST MORTGAGE DEBENTURES AT COST:				
Chester Mines Limited				
\$163,500 August 31, 1974 (Interest payable at 6½% from August 31, 1969)				
			153,900	
			<u>\$ 171,000</u>	
OTHER SHARES:				
Sullipek Mines Inc.	62,500	xx-2	<u>\$ 5,724</u>	
ADVANCES:				
Chester Mines Limited			\$ 6,000	

xx — Including pooled shares: 1 — 93,750; 2 — 22,500

SULLIVAN MINING GROUP LTD.

ASSETS

CURRENT ASSETS:

Cash		\$ 154,572	
Term deposits and accrued interest		4,031,136	
Marketable securities at cost (market value \$5,253,004) Annex 1		5,105,008	
Accounts receivable		206,878	
Due from broker on sale of securities		481,246	
Accrued interest		167,868	
Concentrates valued at estimated net return under firm sales contracts, less advances thereon		4,054,588	
Mining, milling and refinery supplies:			
Valued at average cost	\$ 909,470		
Valued at possible amount of realization	236,848	1,146,318	
Prepaid expenses		72,859	
Special refundable tax		130,973	\$15,551,446
MINING TAX CLAIMED, TO BE RECOVERED			38,941
ACCRUED INTEREST ON FIRST MORTGAGE INCOME BONDS OF SUBSIDIARY COMPANY			675,000

INVESTMENTS AT COST — Annex 1

Subsidiaries not consolidated:

Nigadoo River Mines Limited (Value as per shareholders' equity May 31, 1969 — \$1,303,663).	\$ 466,301		
Courvan Mining Company Limited (market value — \$919,943).	464,664		
Other shares, debentures and first mortgage bonds (no market value)	11,150,733	12,081,698	
Affiliated companies:			
East Sullivan Mines Limited (market value \$13,384,734)	\$ 1,112,705		
Other shares (No market value)	29,716	1,142,421	
Loans and advances to subsidiaries and affiliates.		4,542,915	17,767,034
MORTGAGE RECEIVABLE FROM EMPLOYEES		48,483	
OTHER SECURITIES AT COST		133,240	181,723

FIXED ASSETS:

Real estate at cost		111,175	
Mining properties at cost		350,200	
Buildings, plant and equipment at cost, reduced by proceeds of sales, less accumulated depreciation — \$2,282,651		90,861	
Land, buildings, plant and equipment at cost less accumulated depreciation — \$5,317,262		3,447,727	3,999,963
OUTSIDE EXPLORATION EXPENDITURES			1,382,706
DEFERRED EXPENSES			26,384
			<u>\$39,623,197</u>

AUDITORS REPORT

PRO FORMA BALANCE SHEET

as at June 1, 1969

(after giving effect to the transactions recited in the accompanying notes)

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 630,792	
Wages payable	61,794	
Unclaimed dividends	11,413	
Provision for Quebec Mining Tax	476,758	
Provision for income taxes	8,819	
Instalment due December 23, 1969 on 3% mortgage, plus accrued interest	<u>7,525</u>	\$ 1,197,101
MORTGAGE ON REAL ESTATE, bearing 3% interest, payable in annual instalments in U.S. funds and maturing December 23, 1972 (converted)	28,667	
LESS — instalment maturing in 1969	<u>7,167</u>	21,500

CAPITAL STOCK

Authorized — 10,000,000 shares without par value	
Issued and fully paid — 8,400,000 shares	11,242,600

CONTRIBUTED SURPLUS —	4,677,176
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RETAINED EARNINGS —	<u>22,484,820</u>
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SHAREHOLDERS' EQUITY	38,404,596
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\$39,623,197

The above Pro forma Balance Sheet is based upon the balance sheets of Sullivan Mines Ltd., Quebec Lithium Corporation and Sullico Mines Limited as at May 31, 1969 reported upon by us.

In our opinion, the above Pro forma Balance Sheet properly combines the financial statements referred to in the preceding paragraph in accordance with the provisions of the memorandum of agreement dated June 30, 1969 and gives effect to the transactions recited in the accompanying notes.

Montreal, July 22, 1969.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants.

SULLIVAN MINING GROUP LTD.

NOTES TO PRO FORMA BALANCE SHEET

Note 1

The pro forma balance sheet gives effect to:

- a) The purchase by Quebec Lithium Corporation of the total assets (excluding cash) less total liabilities of Cupra Mines Ltd. as at June 1, 1969, for the sum of \$3,172,709.
- b) The distribution upon winding-up of all assets of Cupra Mines Ltd. to its shareholders: Sullivan Mines Ltd. and Sullico Mines Limited.

Note 2

The pro forma balance sheet also gives effect to the amalgamation of Sullivan Mines Ltd., Quebec Lithium Corporation and Sullico Mines Limited so as to form one company under the name of Sullivan Mining Group Ltd. — Groupe Minier Sullivan Ltée as if the amalgamation was taking effect as at June 1, 1969 instead of at a later date in 1969.

An amalgamation agreement dated June 30, 1969, has been approved by the directors of the three amalgamating companies, which provides that at the date of amalgamation:

- a) Each common no par value share of Sullivan Mines Ltd. (except 1,327,800 shares held by the other amalgamating companies) shall be converted into one no par value common share of the amalgamated company.
- b) Each two outstanding common shares of Quebec Lithium Corporation (except 1,494,400 shares held by the other amalgamating companies) shall be converted into one no par value common share of the amalgamated company.
- c) Each outstanding share of Sullico Mines Limited shall be converted into one no par value common share of the amalgamated company.

The above transaction is subject to the approval and ratification by at least two-thirds in value of the shares represented at special general meetings of the shareholders of the three amalgamating companies, as well as the approval where relevant, of the appropriate Canadian regulatory bodies having jurisdiction over same and in such matters, and will be effective only upon obtaining the required letters patent from the Province of Quebec.

Note 3

Pending legal procedures:

- a) Legal proceedings have been instituted against Hastings Mining and Development Co. Ltd. and Sullivan Mines Ltd. and their directors by two (2) former shareholders of Hastings Mining and Development Co. Ltd. for the purpose of cancelling the sale of the assets of Hastings Mining and Development Co. Ltd. to Sullivan Mines Ltd. The sale agreement dated October 18, 1968 between the two companies was approved at a special general meeting of the shareholders of both companies held on November 21, 1968. The proceedings have been contested and in the opinion of the counsel for the said companies and directors, they are ill-founded in fact and in law.
- b) Objections to assessments for additional mining duties for the fiscal year 1966 have been lodged. These assessments together with similar provisions for the fiscal years 1968 and 1969 have been duly accounted for in the books of the amalgamating companies.
- c) No provision has been made in the financial statements for assessments for additional taxes from the Minister of Revenue of Quebec for the fiscal periods 1965-1968 which are being contested by the amalgamating companies, nor for the subsequent periods. In this connection, Quebec Lithium Corporation has deposited \$100,000 Province of Quebec bonds as a guarantee for the above mentioned claims as well as those of a similar nature against certain other companies of the Sullivan Group.
- d) Legal proceedings have been instituted against Sullico Mines Limited whereby the Plaintiffs are claiming 4/5 of the 340,000 escrowed shares of Sullipek Mines Inc. to be issued and allotted to Sullico Mines Limited and alternatively failing delivery of the claimed shares, the Plaintiffs have claimed the sum of \$1,000,000 of damages against Sullico Mines Limited. This litigation has arisen from an option granted by Sullico Mines Limited to Terra Nova Explorations Ltd. on certain claims situated in the Gaspé area of the Province of Quebec. These proceedings have been contested by Sullico Mines Limited and according to the company's counsel, these proceedings are ill-founded in fact and in law.

Note 4

For the purpose of this pro forma balance sheet, the investments are shown at cost or at equity value with the market values indicated in brackets, instead of showing them at market values or equity value and recording the unrealized appreciation on investments in the shareholders' equity, as previously shown on the balance sheets of the amalgamating companies.

STATEMENT OF RETAINED EARNINGS

as at June 1, 1969

Balance as at May 31, 1969	\$19,861,864
ADD:	
Dividends to be received from Cupra Mines Ltd. on winding-up	<u>2,622,956</u>
	<u>\$22,484,820</u>

STATEMENT OF CONTRIBUTED SURPLUS

as at June 1, 1969

Balance as at May 31, 1969	\$ 7,080,686
DEDUCT:	
Elimination of the excess of cost of intercompany investments over capital cancelled on amalgamation	<u>2,403,510</u>
	<u>\$ 4,677,176</u>

SULLIVAN MINING GROUP LTD.

Annex I

SCHEDULE OF INVESTMENTS

as at June 1, 1969

MARKETABLE SECURITIES:			Cost	Market Value
Bonds			\$ 4,295,860	\$ 4,279,842
Shares			809,148	973,162
			<u>\$ 5,105,008</u>	<u>\$ 5,253,004</u>
	Shares held	Market Price		
SUBSIDIARIES NOT CONSOLIDATED:				
Nigadoo River Mines Ltd. (Valued as per shareholders equity, May 31, 1969)	2,778,833	—	\$ 466,301	\$ 1,303,663
Courvan Mining Co. Ltd.	2,243,765	.41	<u>\$ 464,664</u>	<u>\$ 919,943</u>
Other shares and debentures and first mortgage bonds:				
Shares:				
Brompton Mines Ltd.	615,007	no market	\$ 1,807	
Chester Mines Ltd.	1,059,007	"	68,441	
D'Estrie Mining Co. Ltd.	1,790,562	"	179,063	
Eastern Explorers Corporation	550,006	"	20,040	
Federal Metals Corporation	1,925,655	"	928,178	
Weedon Mines Ltd.	2,625,000	"	<u>337,506</u>	
			1,535,035	
Debentures —				
Chester Mines Ltd., 6½% August 31, 1974, interest payable from 1969	\$ 654,000	no market	615,698	
First mortgage income bonds —				
Nigadoo River Mines Ltd., 9% August 31, 1976, interest payment subject to operating profits	\$ 10,000,000	no market	<u>9,000,000</u>	
			<u>\$11,150,733</u>	
AFFILIATED COMPANIES:				
East Sullivan Mines Limited	1,662,700	8.05	<u>\$ 1,112,705</u>	<u>\$13,384,734</u>
Peninsula Metals Corporation	300,007	no market	<u>\$ 29,716</u>	
LOANS AND ADVANCES TO:				
Subsidiaries:				
D'Estrie Mining Co. Ltd.		\$ 2,307,000		
Weedon Mines Ltd.		654,000		
Chester Mines Ltd.		27,000		
Brompton Mines Ltd.		4,050		
Eastern Explorers Corporation		<u>3,090</u>	\$ 2,995,140	
Affiliates:				
East Sullivan Mines Limited		1,545,000		
Peninsula Metals Corporation		<u>2,775</u>	<u>1,547,775</u>	
			<u>\$ 4,542,915</u>	

